



# TAX CREDIT

## HYBRID ELECTRIC VEHICLES



### Can I get a tax credit for my HEV?

**YES.** The Colorado alternative fuel vehicle credit can be claimed for the three currently available hybrid electric vehicles (HEVs):

- Honda Civic Hybrid
- Honda Insight
- Toyota Prius

Business and personal vehicles currently qualify for the credit. However, for most individuals, a personal HEV had to be purchased in 2001 or later to qualify. HEVs purchased before 2001 had to be used for business purposes to qualify (HEVs used for business part-time before 2001 may receive a prorated credit). Leased HEVs are eligible for the credit.

This Colorado tax credit is also available for vehicles that run on alternative fuels. For more information see Colorado Department of Revenue *FYI Income 9: Alternative Fuel Income Tax Credits* [www.revenue.state.co.us/fyi/html/income09.html](http://www.revenue.state.co.us/fyi/html/income09.html).

### How much credit do I get for my HEV?

The Colorado Department of Revenue provides the exact amount of the credit for each HEV:

HEV	TAX CREDIT
2002 Toyota Prius	\$3,929
2003 Toyota Prius	\$3,070
2002 Honda Insight	\$3,375
2003 Honda Insight (automatic)	\$3,120
2003 Honda Insight (manual)	\$2,603
2003 Honda Civic Hybrid (automatic)	\$2,411
2003 Honda Civic Hybrid (manual)	\$2,261

Credit for HEVs released in model year 2004 or later will be posted on the Colorado Department of Revenue's Web page (<http://revenuestateco.custhelp.com/cgi-bin/revenuestateco.cfg/php/enduser/home.php>).

The amounts in the above table are based on the HEV's incremental cost, its emission certification level, and the tax year.

# COLORADO

### Where on my tax form do I put the HEV credit?

On the 2002 Colorado Department of Revenue Form 104, the credit is listed on line 20. It is calculated on line 5(c) of Form 104CR, the individual credit schedule.

GO TO THE TAX TABLE ON PAGES 22 AND 23 WITH YOUR TAXABLE INCOME FROM LINE 14 TO FIND YOUR TAX. PART-YEAR RESIDENTS AND NONRESIDENTS GO TO FORM 104PN. FULL-YEAR RESIDENTS ENTER YOUR TAX ON LINE 15.

INCOME TAX AND CREDITS	
15 COLORADO TAX from the tax table.	.00
16 Part-year residents and nonresidents enter tax from line Q, Form 104PN	.00
17 Alternative minimum tax from Form 104AMT	.00
18 Recapture of prior year credits	.00
19 Total of lines 15 through 17	.00
20 Alternative fuel credits from line 5(c), Form 104CR	.00
21 Gross conservation easement credit from line 6, Form 104CR	.00
22 Enterprise zone credits from line 14, Form 104CR	.00
23 Total of lines 19 through 22 (if more than the total of lines 15 and 16, see line 23 instructions)	.00
24 Net tax, line 18 minus line 23	.00

### What if I lease my HEV?

Only the lessor (the person who leases the HEV to another person) or the lessee (the person to whom the HEV is leased) can claim the credit for a leased HEV. The lessor may either claim the credit or pass the right to claim the credit to the lessee. For details on how to calculate the credit for a leased vehicle, see Colorado Department of Revenue *FYI Income 9: Alternative Fuel Income Tax Credits* [www.revenue.state.co.us/fyi/html/income09.html](http://www.revenue.state.co.us/fyi/html/income09.html).

### What other requirements are there for claiming the credit?

Qualifying vehicles must be titled and registered in Colorado. A vehicle can qualify for the credit only once. If the allowable credit exceeds your state tax liability, you may carry the excess forward for as long as five years.

### What if I bought my car before this year?

You may file an amended tax return to claim the deduction for the tax year in which you purchased the vehicle. If you purchased the vehicle before 2001 it must have been used for business purposes. Business and personal vehicles purchased in 2001 or later are eligible.

### Will future HEVs be eligible for a Colorado tax credit?

Probably. The amount will depend on the incremental cost of the vehicle.

### My HEV is used for a state government or tax-exempt organization—does it qualify for an incentive?

An HEV qualifies for a rebate instead of a credit if it is owned by the State of Colorado, a political subdivision of the state, or a tax-exempt organization and is used for official activities. The rebate is for the same amount as the credit would be. Qualified entities are limited to \$350,000 per state fiscal year in total rebates paid. To apply for the rebate, use Colorado Department of Revenue Forms DR 0166, DR 0167, and DR 0168.

### Where can I find more information?

Vehicle Buyer's Guide for Consumers: [www.ccities.doe.gov/vbg/](http://www.ccities.doe.gov/vbg/)  
 Colorado Department of Revenue: [www.taxcolorado.com/](http://www.taxcolorado.com/)  
 (303) 866-3800  
 FYI Income 9: Alternative Fuel Income Tax Credits: [www.revenue.state.co.us/fyi/html/income09.html](http://www.revenue.state.co.us/fyi/html/income09.html)  
 National Alternative Fuels Hotline: 1-800-423-1363 or [hotline@afdc.nrel.gov](mailto:hotline@afdc.nrel.gov)  
 DOE Hybrid Electric Vehicle Program: [www.ott.doe.gov/hev/](http://www.ott.doe.gov/hev/)



Produced by the National Renewable Energy Laboratory (NREL)  
 NREL is a U.S. Department of Energy Laboratory

NREL/FS-540-32873

8/2003



# TAX DEDUCTION

## HYBRID ELECTRIC VEHICLES



### Can I get a tax deduction for my HEV?

**YES.** The federal clean fuel vehicle property tax deduction can be claimed for the three currently available hybrid electric vehicles (HEVs) and applies to business and personal vehicles:

- Honda Civic Hybrid
- Honda Insight
- Toyota Prius

Future HEVs may qualify under this federal tax deduction.

#### Planned release of future HEVs\*

MANUFACTURER	MODEL	YEAR
Daimler-Chrysler	Dodge Ram Pickup	2005
	Mercedes S-class	2006
Ford	Escape SUV	2004
	Explorer SUV	2005+
General Motors	Saturn SUV	2004
	GM Pickups	2004
	ParadiGM SUV	2005
	Chevy Suburban	2005
Honda	Civic Hybrid	2004+
Toyota	Prius	2004+

\* For current information on planned HEV releases see [www.ott.doe.gov/hev/](http://www.ott.doe.gov/hev/).

This federal tax deduction is also available for vehicles that run on alternative fuels. For more information see *Vehicle Buyer's Guide for Consumers* [www.ccities.doe.gov/vbg/progs/laws.cgi](http://www.ccities.doe.gov/vbg/progs/laws.cgi).

### How much can I deduct for my HEV?

Owners of the Honda Civic Hybrid, Honda Insight, or Toyota Prius can claim a one-time deduction of \$2,000 in the year the vehicle is first used.

### What other requirements are there for claiming the deduction?

You must purchase the vehicle new and for your own use (not for resale) and drive it mostly in the United States. The deduction cannot be claimed by government agencies, tax-exempt organizations, or foreign entities.

## FEDERAL

### Where on my tax form do I put the HEV deduction?

The tax deduction is taken as an adjustment to income on line 34, IRS form 1040 in the "Adjusted

Gross Income" section. Enter the amount of the deduction and the words "Clean Fuel" on the dotted line next to line 34. You can claim it whether you itemize or take the standard deduction. For vehicles purchased solely for business use, claim the deduction on the "Other expenses" line of Schedule C (1040) or Schedule F (1040).

### What if I bought my car before this year?

You can file an amended tax return to claim the deduction for the tax year in which you purchased the vehicle.

### Will future HEVs be eligible for a tax deduction?

Probably. The deduction amount for future HEVs will be set as manufacturers complete a process to certify the incremental cost of the clean fuel equipment in each HEV. Current law phases out the clean fuel vehicle property tax deduction during tax years 2004–2006. However, Congress is considering legislation that may increase the tax incentives for HEVs purchased after September 30, 2002.

### Can I also claim the electric vehicle tax credit for my HEV?

**NO.** Because current hybrid vehicles are certified as being primarily gasoline powered, they are not eligible for the electric vehicle tax credit (IRS form 8834). To learn more about tax incentives for dedicated electric vehicles, check the Financial Incentives section of the Vehicle Buyer's Guide for Consumers or call the National Alternative Fuels Hotline (see contact information below).

### Does my state offer HEV tax incentives?

Some states offer incentives, rebates, or grant programs to encourage people to purchase or lease hybrid and low or zero emission vehicles. To find out what your state offers, check the Financial Incentives section of the Vehicle Buyer's Guide for Consumers or call the National Alternative Fuels Hotline (see contact information below).

Clean fuel vehicle property tax deduction through 2006	
PURCHASE YEAR	MAXIMUM DEDUCTION PER VEHICLE
1992-2003	\$2,000
2004	\$1,500
2005	\$1,000
2006	\$500

#### Where can I find more information?

Vehicle Buyer's Guide for Consumers:  
[www.ccities.doe.gov/vbg/](http://www.ccities.doe.gov/vbg/)

Internal Revenue Service:  
1-800-829-1040 or [www.irs.gov](http://www.irs.gov)

HEV press releases relating to:  
Honda — [www.irs.gov/pub/irs-news/ir-02-97.pdf](http://www.irs.gov/pub/irs-news/ir-02-97.pdf)  
Toyota — [www.irs.gov/pub/irs-news/ir-02-93.pdf](http://www.irs.gov/pub/irs-news/ir-02-93.pdf)

National Alternative Fuels Hotline:  
1-800-423-1363 or [hotline@afdc.nrel.gov](mailto:hotline@afdc.nrel.gov)

Fuel Economy Guide:  
[www.fueleconomy.gov/feg/tax\\_hybrid.shtml](http://www.fueleconomy.gov/feg/tax_hybrid.shtml)

DOE Hybrid Electric Vehicle Program:  
[www.ott.doe.gov/hev/](http://www.ott.doe.gov/hev/)



Produced by the National Renewable Energy Laboratory (NREL)  
NREL is a U.S. Department of Energy Laboratory

NREL/FS-540-32873

1/2003